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Reinventing the Federal Budget

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Anyone who has ever asked for directions knows you need two crucial pieces of information to get good results: a starting point and a destination. As the rhetoric swirls around our growing budget deficit, we seem to have forgotten the importance of this lesson. We can't possibly figure out how to get where we want to be if we can't agree on where we are now.

We're in a crisis that threatens to bankrupt this nation. In 10 years we will be spending nearly a trillion dollars on debt service. The worst news is we're not sure where all this money goes.

That's why this week I [released](#) part one of [Reinventing Government: the Federal Budget](#) , a report that addresses the realities of our unsustainable budget and what we can do about it.

The first installment includes recommendations to establish more accountability and transparency in the federal budget, highlighting the importance of long-term fiscal sustainability.

The consequences of our fiscal path are not limited to future generations. When the bill for our fiscal intemperance comes due, it will impact all Americans by forcing tax increases along with cutbacks in government services.

The first step toward a more credible budget is to understand where our deficits are coming from. A perfect example is tax expenditures. Right now [we spend more than \\$1 trillion](#) (the cost of the wars in Iraq and Afghanistan combined since 2001) every year through the tax code in the form of special deductions, credits, and exemptions. These earmarks evade public and Congressional scrutiny because they are not included in the federal budget.

Another serious problem is the failure to account for the costs of Fannie Mae and Freddie Mac, whose losses are backed by the federal government. We must account for liabilities like Fannie and Freddie mortgages to paint a clear picture of our spending responsibilities.

We also need to adjust our focus--much of our rhetoric surrounds discretionary spending on earmarks, but earmarks account for less than one percent of federal spending. The bigger problem is that the \$720 billion Department of Defense [can't pass an audit](#). DOD must be under the same accounting standards we demand for every other agency, and subject to the same belt-tightening being proposed for the rest of the federal government.

Finally, we must take a longer view in our policy decisions. Our shortsightedness is on display every time the Congressional Budget Office scores a proposed bill's impact on our deficit. The CBO is only required to score a bill for its first 10 years, incentivizing Congress to use budgetary gimmicks to make bills look good on paper by hiding spending outside the so-called budget window.

As [President Obama said](#) at the outset of his administration, "The way to make government responsible is to hold it accountable and the way to make it accountable is to make it transparent."

Nowhere is this truer than in our federal budget, and nowhere are the stakes higher.

We need to replace hyperbole with a reasonable, informed discussion about how to reinvent the federal budget with more transparency and better accountability. Figuring out where we are today is the only way we'll be able to develop directions to a better tomorrow.